
Supplier Relationship Management Mental Health Transformation Kick-off October 18, 2005

Outline of our discussion

Supplier Relationship Management

- What is it?
- Why do it?
- The process itself
- Critical success factors
- What has been the journey at our company?
- Successes and failures
- Why I think this process can work for you

Supplier Relationship Management

Definition: A formal business process with well defined accountability to ensure that Purchaser and Supplier are operating to one valid plan communicated through both organizations

Goals:

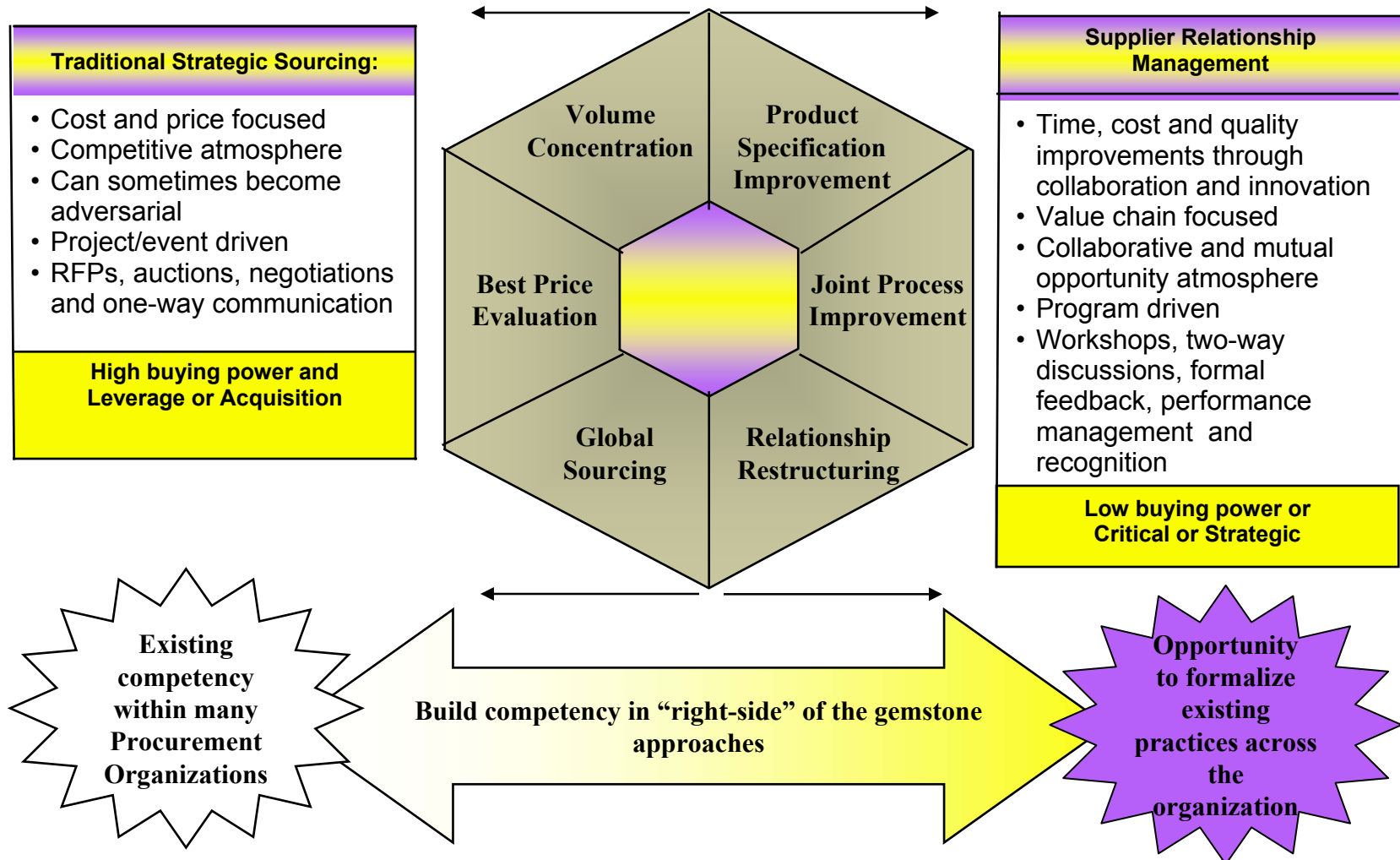
- Establish a strong business relationship that is beneficial to both parties
- Establish regular, open, and honest communications at the appropriate level of the relationship
 - Ensure clear communication of Purchaser performance expectations
 - Ensure clear communications of Supplier business needs and capabilities
- Ensure both parties meet their commitments to the contract
- Achieve continuous improvement and innovation

Supplier Relationship Management

Why SRM?

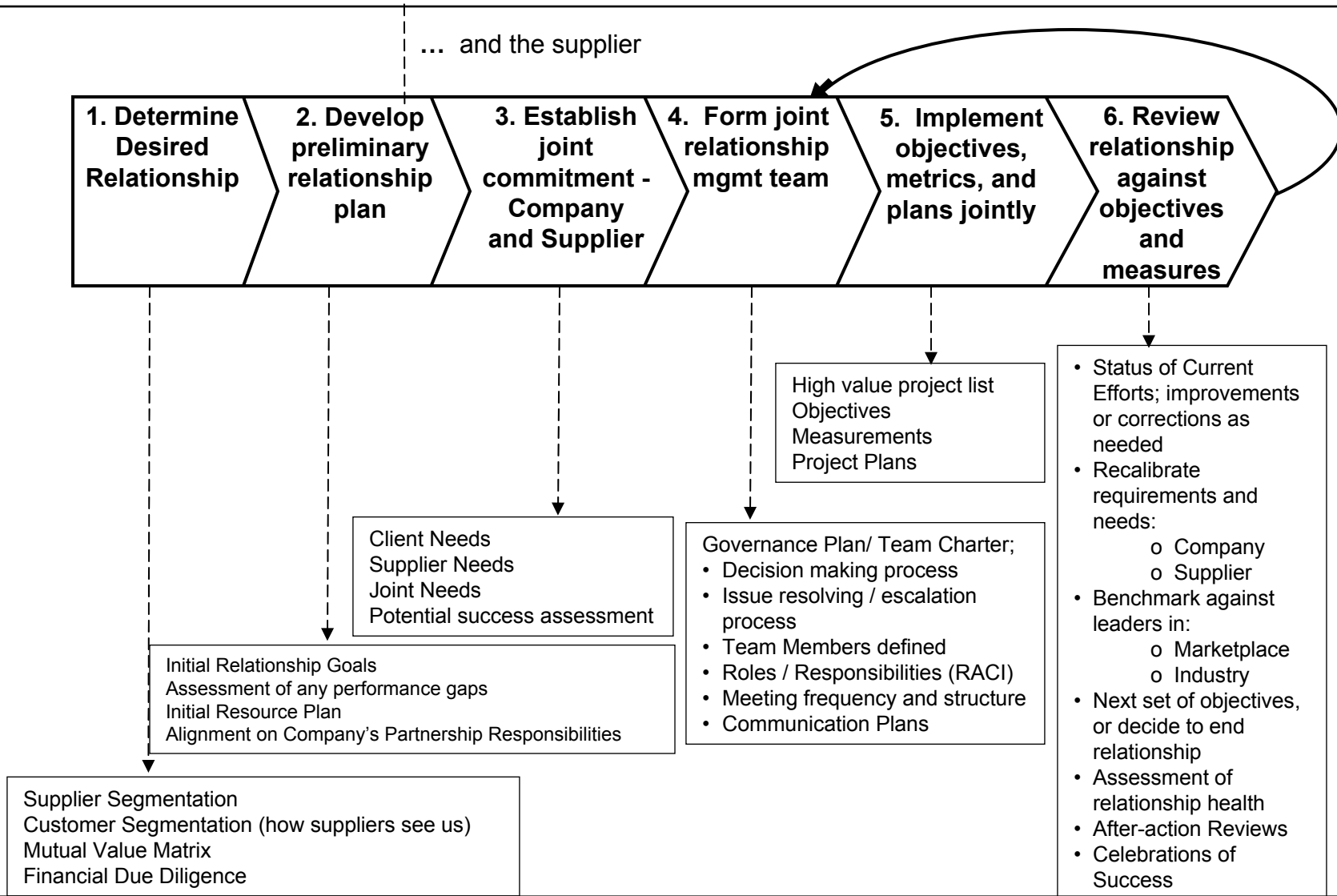
- Because business results depend upon the goods and services provided by external suppliers
- Because this dependence is increasing
- Because we can gain value and competitive advantage by actively managing relationships with key suppliers

SRM: The Focus



Adapted From: A.T. Kearney

Supplier Relationship Management Process



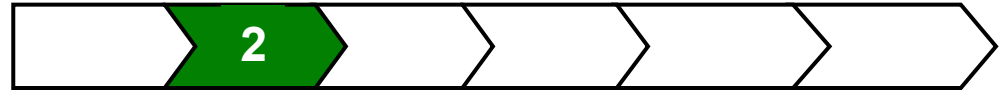
Process details

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Determine Desired Relationship

- Portfolio Analysis
- Supplier Segmentation
- Customer Segmentation
- Supplier Matching
- Financial Due Diligence

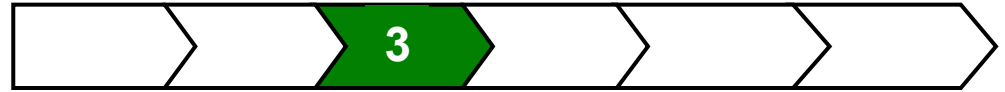
Process details



**Develop preliminary
relationship plan**

- Initial Relationship Goals
- Assessment of any performance gaps
- Initial Resource Plan
- Alignment on Company's Partnership Responsibilities

Process details



**Establish joint
commitment:
Company and Supplier**

- Client Needs
- Supplier Needs
- Joint Needs
- Potential success assessment

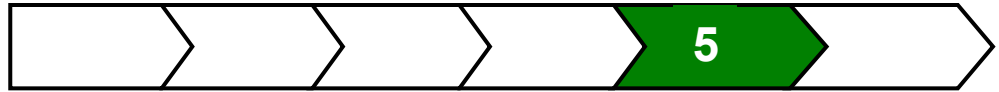
Process details



**Form joint
relationship
management team**

- Governance Plan/ Team Charter
- Decision making process
- Issue resolving / escalation process
- Team Members defined
- Roles / Responsibilities
- Meeting frequency and structure
- Communication Plans

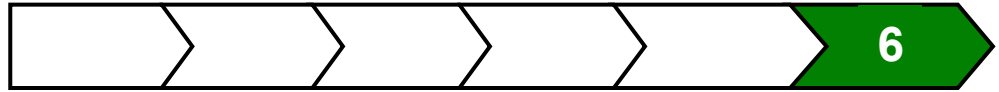
Process details



**Develop and
implement objectives,
metrics and
implementation plans
jointly**

- Objectives
- High value project list
- Key metrics
- Project Plans

Process details



**Review of relationship
against objectives and
measures**

- Status of Current Efforts
- Recalibrate requirements and needs
- Benchmark against leaders in Marketplace
- Next set of objectives
- Assessment of relationship health
- After-action Reviews
- Celebrations of Success

Critical Success Factors for SRM

- Senior management commitment from both sides
- Focused, committed teams
- Use of a consistent process to optimize relationships and deliver results
- Willingness to listen
- High level of trust and shared information
- Goals, deliverables and timing clearly defined early on
- Team driven toward win-win situations

The SRM Journey at Our Company

- SRM “invented” by the automobile companies
- We have been working at SRM since 2000
- We started by benchmarking and developing a SRM process specifically for our company
- We trained our staff on the process and rolled it out for our top suppliers in 2001
- We have progressed to having SRM practiced at about 300 of our top 8000 global suppliers
- While we have made considerable progress, we can still improve....especially on our listening skills around joint process improvement

SRM Successes

- Joint 6 sigma team significantly improved the creative development process with our primary advertising agency
- Supplier suggested improvements in their product that increased our manufacturing yield
- Supplier invested in a second manufacturing facility in return for an exclusive supply contract
- Our company reduced conflicting feedback from 5 different sites to a common, clear message which allowed a “struggling” supplier to focus and succeed
- Team prevented from “firing” a supplier because they had not given feedback that they were dissatisfied

And Failures

- 2 years of SRM effort with a major company yielded no significant results therefore not justifying the time invested
- Repeated rejection of joint process improvement suggestions has led a major supplier to stop working on improvements
- Significant investment in time and effort with a supplier who simply lacked the capabilities to successfully compete with other suppliers

Why I Think This Process Can Work for YOU

- This is not rocket science
- You are dependant on each other
- You have many of the same goals
- You are not satisfied with the status quo
- You will each improve by listening to the other's feedback
- As you jointly succeed, mental health patients will benefit